

# Local Maintenance & Operation Levies and Levy Equalization

Background Materials  
K-12 Advisory Committee  
October 19, 2005

# The Law

- Authority to raise levies: Article VII, Section 2 of the Washington State Constitution
- Levy Lid Law: Statutes setting the limit on local levies
  - RCW 84.52.053
  - RCW 84.52.0531
- Statute providing for local effort assistance or levy equalization
  - Chapter 28A.500 RCW

# Local Maintenance and Operation Levies

- The State Constitution gives school districts authority to levy property taxes with a 60 percent “Yes” vote in a district-wide election.
- One to four years in duration.
- If a levy fails at the polls, a district can seek voter approval one more time in that calendar year.
  - Of the 177 districts with levy elections in 2004, three had double levy failures (Napavine, Onalaska, Rochester)
- Revenues are for enhancements to the state basic education program - e.g., extracurricular activities, enhanced class offerings, additional salaries for additional duties for teachers.

# Local Maintenance and Operation Levies

- 272 districts have levies in CY 2005, totaling \$1.3 billion
- The amount a district can raise is limited by the Levy Lid Law

# Prior to the enactment of the Levy Lid Law in 1977...

- In 1975
  - 32 percent of district revenues were from local property tax levies (compared to 16.0 percent currently)
  - the average local levy tax rate was \$7.10 per \$1,000 of assessed value (compared to \$2.23/\$1000 in CY 2005)
- For the 1976 collection year
  - 277 districts asked voters to approve almost \$390 million in local levies.
  - 65 districts failed to pass levies totaling almost \$184 million, impacting about 40 percent of the students.
- Result of the levy failures: Seattle School District lawsuit against the state and the first Doran decision.

The legislative response: Increase state funding to districts (the Basic Education Act) and limit local M&O levies (the Levy Lid Act).

- The Levy Lid Law of 1977
  - The goal was to limit each districts' M&O levy revenue to 10% of their basic apportionment allocations.
  - Included grandfather provisions permitting districts to exceed the 10 percent limit until 1982.
- The levy lid law has been changed many times over the last 27 years, increasing the amounts that districts can raise in local levies.

# Levy Limitations

- The amount a district can raise is limited by the lesser of
  - Amount approved by voters
  - OR
  - Maximum levy authority - a.k.a. levy lid.

# Amount Approved by Voters

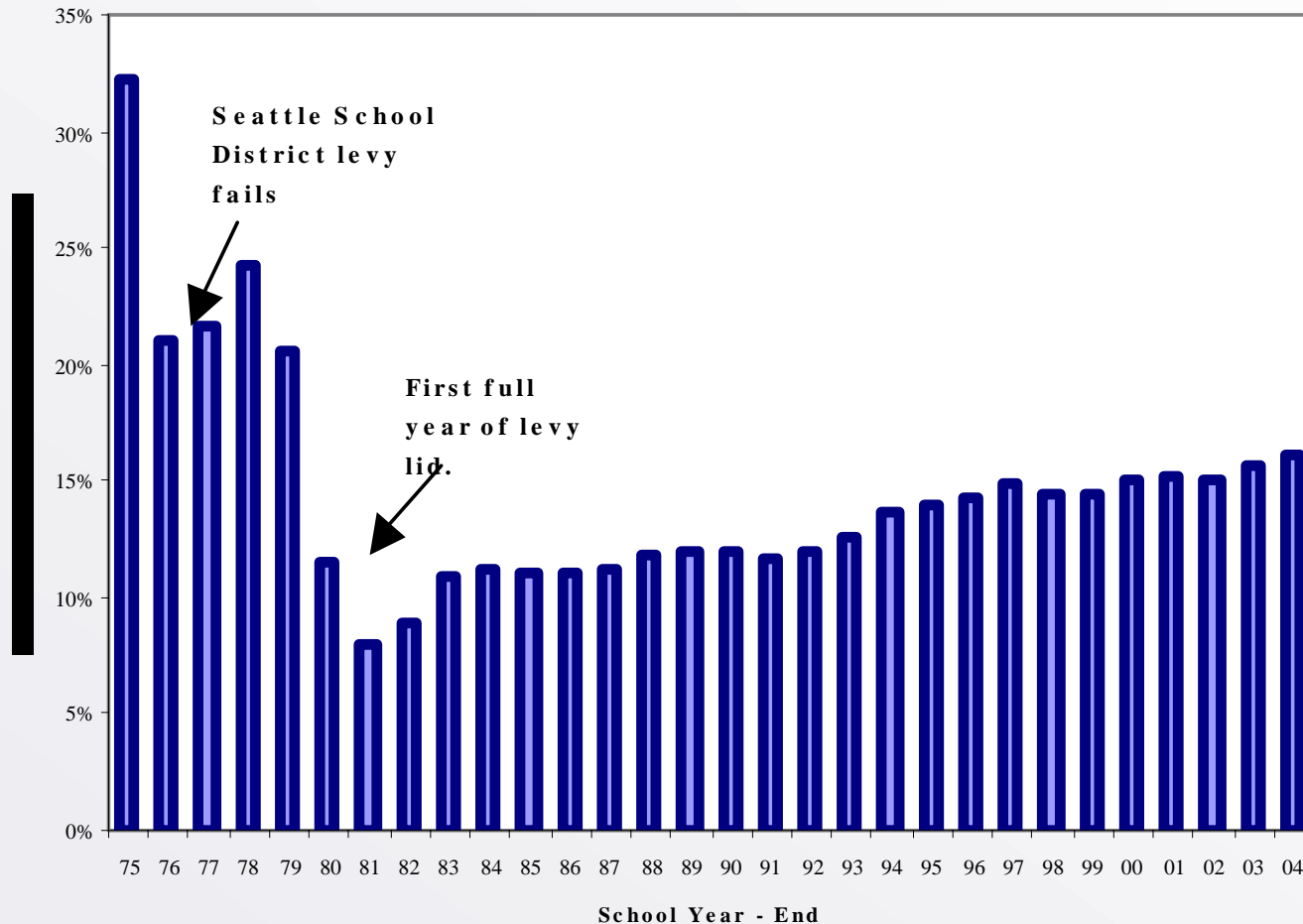
- No statutory limitation on the amount a district can ask voters to pass
- If the levy amount approved by voters exceeds the district's maximum levy authority, the difference must be "rolled back" - i.e., not collected
- 2005 levy rollback
  - \$39 million
  - 39 districts



# Levy Lid Calculation

- A district may raise an amount equal to the levy base multiplied by the levy lid percent.
  - Levy Base
    - Most state and federal revenues to the district
  - Levy Lid Percent
    - 24% for most districts
    - 91 districts have grandfathered levy percentages greater than 24%
      - Range from 24.01% to 33.9%
      - See Appendix for more on grandfathered levy lid districts.

M&O levy revenues have been growing as a portion of total district revenues since the early 1980s.



M&O levy revenues make up as much as 24% of some districts' total revenues.

<u>District</u>	<u>Levy Revenue as % of Total</u>
Mercer Island	24%
Tukwila	24%
Seattle	24%
Bellevue	23%
Blaine	22%
Shoreline	21%
Tacoma	21%

# There is one additional limitation on maximum levy authority.

- The amount a district receives in **levy equalization** reduces the amount the district can raise in local levies.

# Purpose of Local Effort Assistance (Levy Equalization) Program

“ The purpose of these funds is to mitigate the effect that above average property tax rates might have on the ability of a school district to raise local revenues to supplement the state’s basic program of education. These funds serve to equalize the property tax rates that individual taxpayers would pay for such levies and to provide tax relief to tax payers in high tax rate school districts. ”

RCW 28A.500.010

# LEA helps to equalize across the state the tax rate necessary to raise a portion of a district's levy.

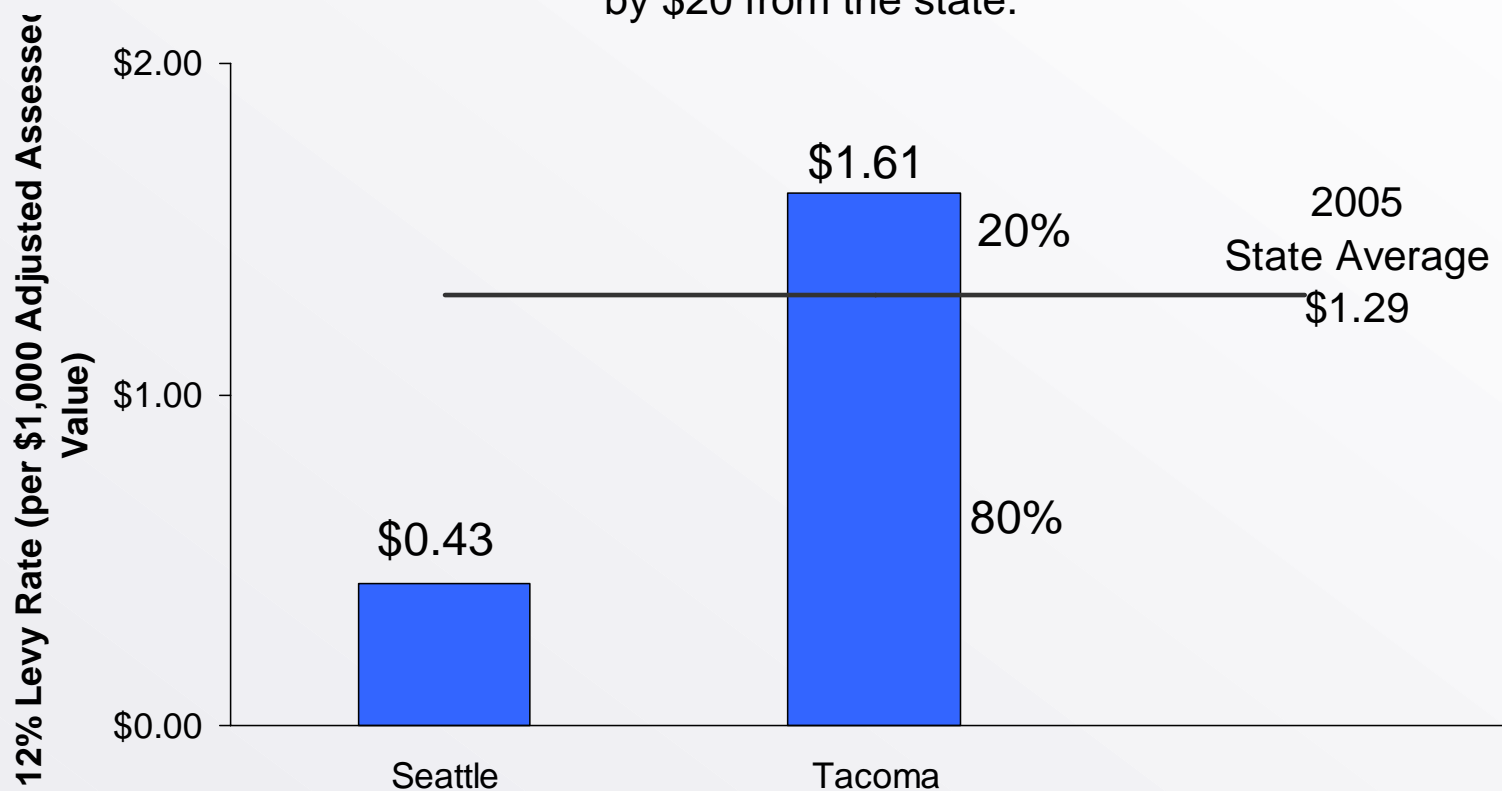
- The concept: Each district should be able to raise an amount equal to 12% of its levy base by imposing a tax rate that is no higher than the statewide average tax rate for a 12% levy.
- If the district's 12% levy tax rate is higher than the statewide average, the district can receive an allocation from the state to make up the difference.

# Levy Equalization

- To qualify, a district must
  - Pass a levy
  - Have a tax rate for a 12% levy that exceeds the statewide average rate for a 12% levy.
- The tax rate needed for a 12% levy is a function of the relative size of a district's levy base compared to the assessed value of property in the district.
  - Large levy base and low assessed values = high tax rates
  - Small levy base and high assessed value = low tax rates

# Districts with 12% levy rates greater than the statewide average 12% levy rate are eligible for levy equalization allocations

Example: Each \$80 raised by the Tacoma School District will be matched by \$20 from the state.





# Levy Equalization - 2005

- 215 districts are receiving levy equalization allocations totaling \$165 million.
- Another 21 districts are eligible but are not receiving levy equalization because they have not passed levies for 2005.

# APPENDIX

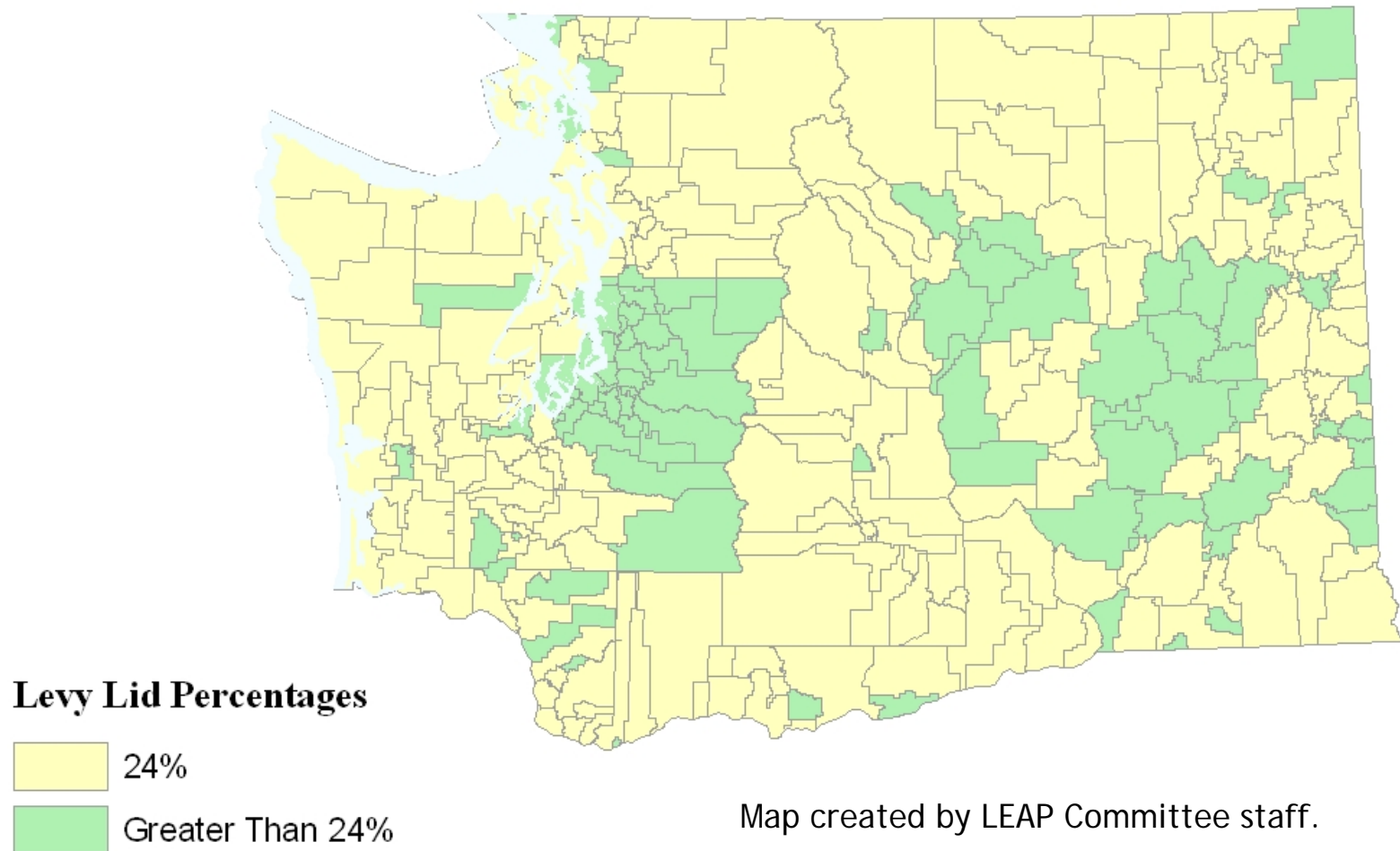
# Grandfathered Levy Lid Districts

Rank Highest =1	County	School District	Max Levy %	Rank Highest =1	County	School District	Max Levy %	Rank Highest =1	County	School District	Max Levy %
59	Adams	Lind	25.20%	68	King	Auburn	24.90%	33	Pierce	Dieringer	28.85%
40	Adams	Ritzville	28.12%	71	King	Tahoma	24.89%	83	Pierce	Orting	24.78%
82	Chelan	Cashmere	24.79%	80	King	Snoqualmie Valley	24.83%	52	Pierce	Clover Park	26.76%
12	Clark	Green Mountain	33.58%	61	King	Issaquah	24.97%	67	Pierce	Peninsula	24.91%
11	Columbia	Starbuck	33.61%	42	King	Shoreline	27.93%	61	Pierce	Franklin Pierce	24.97%
27	Cowlitz	Toutle Lake	31.19%	71	King	Lake Washington	24.89%	71	Pierce	Bethel	24.89%
87	Cowlitz	Kalama	24.24%	71	King	Kent	24.89%	61	Pierce	Eatonville	24.97%
15	Douglas	Orondo	33.51%	68	King	Northshore	24.90%	84	Pierce	White River	24.77%
91	Douglas	Bridgeport	24.01%	60	Kitsap	Bainbridge	24.98%	81	Pierce	Fife	24.82%
5	Douglas	Palisades	33.73%	17	Kittitas	Damman	33.44%	2	San Juan	Shaw	33.82%
41	Douglas	Mansfield	28.00%	6	Klickitat	Centerville	33.71%	29	Skagit	Anacortes	30.54%
24	Douglas	Waterville	32.00%	89	Klickitat	Roosevelt	24.14%	32	Skagit	Conway	29.15%
25	Franklin	North Franklin	31.70%	46	Lewis	Vader	27.29%	16	Skamania	Mount Pleasant	33.46%
1	Franklin	Kahlotus	33.90%	20	Lewis	Evaline	33.36%	88	Spokane	Spokane	24.18%
8	Grant	Wahluke	33.69%	58	Lewis	Boistfort	25.32%	39	Spokane	West Valley (Spo)	28.20%
53	Grant	Quincy	26.67%	31	Lewis	White Pass	29.43%	50	Stevens	Valley	26.91%
51	Grant	Coulee/Hartline	26.79%	3	Lincoln	Sprague	33.77%	49	Stevens	Loon Lake	27.01%
19	Grays Harbor	Cosmopolis	33.40%	55	Lincoln	Reardan	26.02%	86	Thurston	Olympia	24.34%
43	Jefferson	Brinnon	27.50%	30	Lincoln	Creston	30.42%	7	Walla Walla	Dixie	33.70%
22	King	Seattle	32.97%	9	Lincoln	Odessa	33.67%	18	Walla Walla	College Place	33.43%
68	King	Federal Way	24.90%	21	Lincoln	Harrington	33.01%	48	Walla Walla	Columbia (Walla)	27.07%
75	King	Enumclaw	24.88%	38	Lincoln	Davenport	28.21%	54	Whatcom	Bellingham	26.35%
9	King	Mercer Island	33.67%	43	Okanogan	Pateros	27.50%	35	Whatcom	Blaine	28.51%
64	King	Highline	24.95%	56	Pend Oreille	Selkirk	25.47%	34	Whitman	Lacrosse Joint	28.75%
75	King	Vashon Island	24.88%	65	Pierce	Steilacoom Hist.	24.93%	75	Whitman	Lamont	24.88%
65	King	Renton	24.93%	78	Pierce	Puyallup	24.87%	89	Whitman	Tekoa	24.14%
57	King	Skykomish	25.43%	26	Pierce	Tacoma	31.47%	47	Whitman	Pullman	27.27%
28	King	Bellevue	30.66%	14	Pierce	Carbonado	33.52%	37	Whitman	Palouse	28.27%
13	King	Tukwila	33.54%	36	Pierce	University Place	28.29%	4	Whitman	Garfield	33.76%
85	King	Riverview	24.72%	79	Pierce	Sumner	24.86%	23	Whitman	Steptoe	32.42%
								45	Whitman	Colton	27.35%

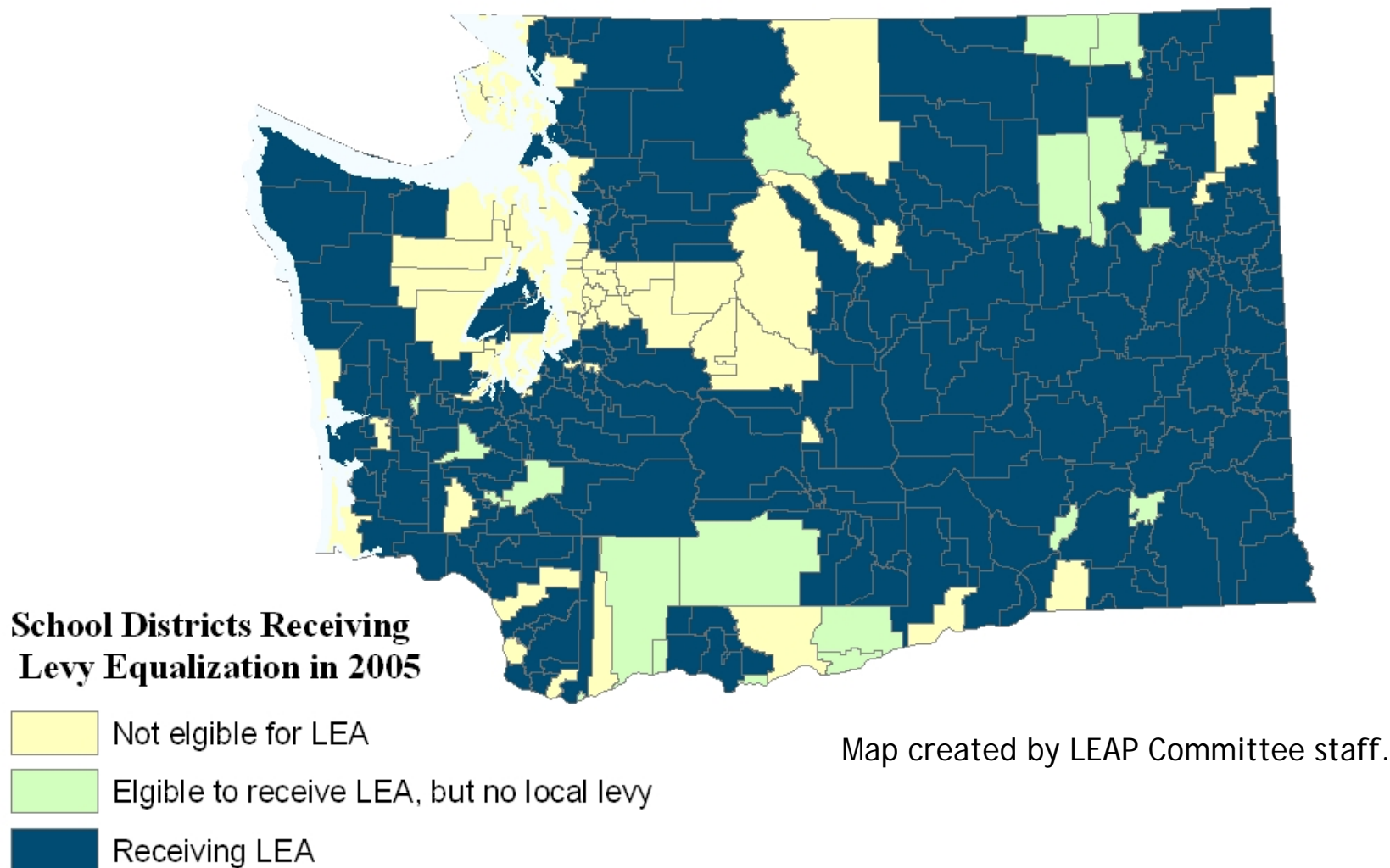
# Not all grandfathered levy lid districts use their additional capacity

- In 2005, of the 91 grandfathered districts
  - 47 levy less than 24% of their state and local revenues
    - Of these, 5 have no levy at all
  - 11 are at more than 24% of their state and federal revenues but less than maximum levy authority.
  - 33 use maximum levy authority
- Additional levy capacity resulting from grandfathering: \$86 million.
- Additional levy dollars collected due to grandfathering: \$71 million.
  - Ranges from \$640 per student in Seattle to less than \$50 per student in 12 districts.

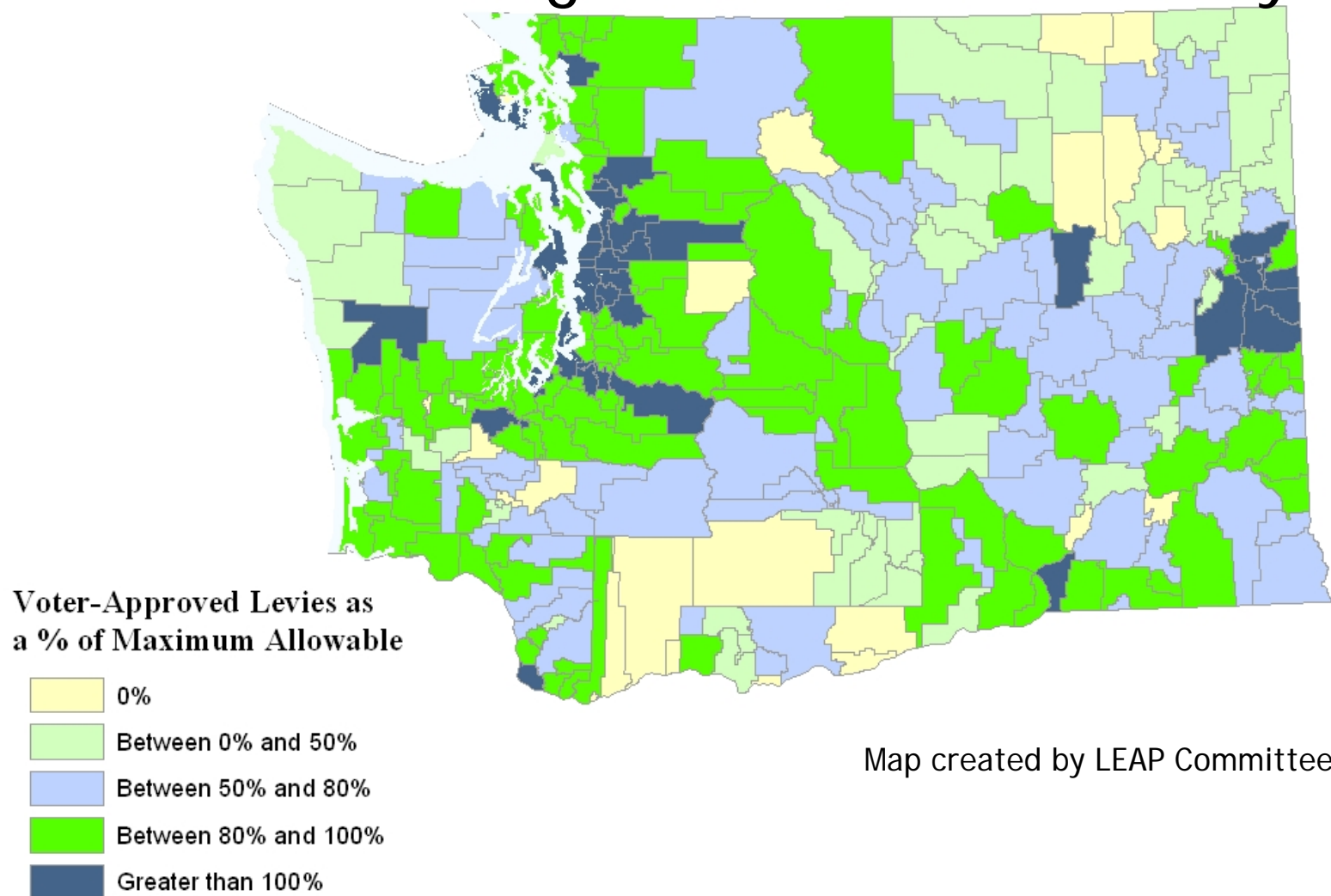
# Grandfathered Levy Lid Districts



# Districts Receiving Levy Equalization in 2005



Most Puget Sound districts are able to pass levies close to or greater than their levy lids.



2005 Levies

Map created by LEAP Committee staff.